


*Gerry McCarthy stands on the banks of the James, the once-polluted river whose waters his Virginia Environmental Endowment helped clean up.*





# Making GOOD Out of BAD

**Twenty-five years ago the Virginia Environmental Endowment was born out of a multimillion-dollar fine paid by a corporate polluter. Just look at what's happened since.**

**BY ROGER M. WILLIAMS**

**F**or who knows how long, Allied Chemical had polluted Virginia's James River with impunity, discharging so much toxic junk into it that, even after judgment day, it would be 13 years before the James got a clean bill of health.

Judgment day arrived in 1977, when Allied pleaded no contest to charges of dumping a particular pollutant, the pesticide Kepone. A federal judge levied a then-record fine of \$13.2 million. He noted regretfully that the money would go to the U.S. treasury, although it belonged in the Old Dominion to clean up the wounded James. Taking the hint, Allied put forth a plan to funnel \$8 million of the settlement into a Virginia foundation.

Thus, the Virginia Environmental Endowment (VEE) was born, the first grantmaking entity created by the diversion of a corporate defendant's court assessment. A quarter-century later—the endowment celebrates its anniversary in February—both the precedent and the \$8 million have multiplied. Foundations sprouting from court settlements are now more common (see box on page 30), and VEE, in leveraging the 1977 windfall, has practically printed its own currency.

**PHOTOGRAPHS BY JOHN HENLEY**

Says Gerald P. McCarthy, who has from the very outset been VEE's executive director and lone professional staffer: "We started with \$8 million, got another \$1.4 million along the way, have made or leveraged \$20 million in grants on projects easily \$50 million all told, and still have about \$20 million in the bank. It kinda blows people away when I tell them that, but it's true."

If that makes Gerry McCarthy the most impressive one-person show on the foundation stage, the news has not traveled far. Many foundation people in Washington, DC, 90 miles away, have heard neither of him nor his endowment.

But word is out about settlement foundations: Last November Microsoft offered to start one to distribute more than \$1 billion in equipment and cash to public schools to settle numerous private suits against the company. Critics pointed out this would likely boost the company's standing in the education market. "It's a massive subsidy for the acquisition of Microsoft technology," said a lawyer for Apple Computer. (At press time it was unknown whether the offer would be revised or scuttled.)

Meanwhile, however, VEE itself has had a pronounced influence in Virginia and an appreciable one in neighboring West Virginia and Kentucky. By McCarthy's reckoning, the endowment has achieved first-in-the-nation status for at least three of its recently funded and completed projects: a water-quality report and a "State of Our Rivers" report for Virginia and a Sustainable Virginia Web portal.

In addition, VEE has helped engineer a long string of important developments in environmental concern and action in the state. Illustrative of McCarthy's broad and flexible definition of environmentalism, they have ranged across such subject areas (in addition to water quality) as "smart growth," wastewater treatment, land conservation, marine ecosystem management, environmental education and an overall Virginia Environmental Quality Index (VEQI).

Here are some of those important developments:

■ **The Institute for Environmental Negotiation at the University of Virginia** started with \$100,000 in VEE grant money to inject mediation as a coolant in the highly charged atmosphere of environmental politics. In line with VEE's big-umbrella approach, the institute has made consistent efforts to get opposing interests to sit down

together and agree on solutions they could all live with. An institute "dialogue" in the late 1980s, involving the agriculture and fishing industries, real estate developers, conservationists and government officials, produced landmark legislation (the Chesapeake Bay Preservation Act) to protect the Chesapeake Bay.

■ **The Elizabeth River Project** in the Hampton Roads area has taken the East Coast's most polluted river and pointed it in the direction of something like good health. "The project started with four people getting together over pizza and beer one night in Norfolk," McCarthy recalls. "I knew 'em all. They called me, and I asked, 'How much money do you need?' They said, 'Thirteen hundred ninety dollars.' 'You got it!' I said." From that pin-money has flowed "millions of dollars" in restoration investment from all sides. McCarthy adds with a chuckle: "The four cities on the south side of Hampton Roads don't usually cooperate with each other, but they've all signed onto the Elizabeth project and cooperated in pushing it forward." Just as notably, a Republican governor and a legislature not renowned for environmental passion each have poured major resources into the enterprise.

■ **An experimental chicken-waste treatment system** has the potential to turn byproducts of chicken processing into fertilizer, thereby eliminating the chronic pollution of the Shenandoah River. "We'll work with anybody, even poultry processors. So we went to them and said, 'You've got to figure out a solution to the problems you cause, or the law's gonna come down on you.'" When the poultry federation responded with an idea for a pilot project, VEE provided \$10,000 to fund it, and the processors have been trying to get their up-river counterparts to adopt the same approach. "The technology remains to be fully proved," McCarthy says, "but we think it's going to be fabulous."

■ **Save Our Streams**, the first statewide effort to improve and manage the quality of water—in Virginia's case, all 40,000 miles of rivers and streams—began in the 1980s with a collaboration between VEE and the Izaak Walton League. Save Our Streams has since joined with numerous river "friends" groups to muster an army of volunteers to do the essential job of monitoring. Student groups, especially science classes, are heavily involved; Kids in the Creek Days

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enroll even elementary students. "We've gotten state labs to analyze the samples the volunteers gather," McCarthy says. "And state departments accept the data and use them to determine their own policies."

■ **A state Environmental Quality Index**, another first in Virginia, has used a stock-market model to measure such indices as air and water pollution, bird species, and the health of wetlands between 1985 and 1999. The two-part study, conducted by scientists at Virginia Commonwealth University, was financed by a \$35,000 grant from VEE. It showed improvements in air and water quality, no change in pollution from toxic chemicals, and problems caused by population growth and sprawl. The university plans to update the index and, with federal funding, hopes to "export" it to other states.

■ **Multispecies ecosystem-based fisheries management** stands to revolutionize the way people look at the Chesapeake Bay and other marine ecosystems. In 2001 VEE granted about \$640,000, payable over three years, to the Virginia Institute for Marine Science (VIMS) to collect data and update models of predator-prey interaction and how the bay's food web works. There are more than a hundred different fish species in the bay and about 30 that are important commercially and ecologically, but scientists and others had been looking at the species individually instead of in relation to other species or with regard to how the ecosystem, pollution and overfishing threaten them. The VIMS work has been a catalyst for jumpstarting this kind of management approach in the Chesapeake Bay. There are no other programs like this in the country, but this work may indeed prove to be a paradigm shift in fisheries management, says McCarthy.

■ **An "environmental literacy" initiative** was begun in Virginia as a result of a \$25,000 grant for the Virginia Naturally Environmental Literacy Conference. The conference was organized by a commission, of which Gerry McCarthy was a member, that the governor of Virginia set up in response to VEE's encouragement. A report from the commission in August 2001 launched the new Office of Environmental Education in Virginia, which hopes to increase environmental literacy in the state. According to the National Environmental Education and Training Foundation, Americans possess an extremely



low level of knowledge, and even some misinformation, about the environment. VEE's hard work and grants convinced Virginia's governor that this ignorance merits action.

Along the grantmaking spectrum, the Virginia Environmental Endowment stands at the end that emphasizes hard bargains and performance up to expectations. Like the endowment itself, those characteristics are McCarthy-driven. As a young Air Force officer in a New Mexico weapons lab, he says, "I wrote lots of RFPs, and I evaluated, coordinated and monitored them. I always made sure the contractors did the work the way we wanted it done *before* they got paid."

He carried that practice directly into the foundation world. VEE obliges sizable recipient organizations to put up what McCarthy calls "first money" and reimburses them every three or four months when it's satisfied they've performed well. It also obliges them to come up with matching funds on a 50-50 basis.

Their rewards include dealing with a refreshingly straightforward foundation and having a good shot at years and years of continuous funding. Notes Rich Collins, director of the Institute for Environmental Negotiation, on the first of those rewards: VEE "did not want theory or academic papers from us; it wanted practical involvement in conflict resolution." Notes Jon Jensen, president of the Environmental Grantmakers Association, on the second: "Continuity of support" of the type VEE often provides fosters "morale building for grantees that can't be measured in dollars."

The James River Association is an example of long-term VEE commitments—year after year for almost two decades. Says Patty Jackson, the association's executive director: "They've funded lots of specific projects, including a watershed-management plan, an education video and, most recently, the planting of riparian buffers that will improve water quality and wildlife habitat. They'll also be underwriting our 25th-anniversary report on the state of the river."

McCarthy regards all that as simply good business practice: "The secret to giving people money—whether it's Air Force contractors or foundation grantees—is knowing what you want to accomplish, having the resources you need, and being able to evaluate people and their work."

But how did the young evaluationmeister leap from a desert Air Force base to a pivotal position in Virginia environmentalism? In two coordinated stages. "I wanted to live in Virginia, so when I left the service, I moved there. And I wanted to help protect the environment, so I wrote to Virginia's newly elected governor Linwood Holton and said, 'Here's what I've done and can do. Can I be of service?'" Turned out he was just creating a

state council on the environment, and he hired me—at age 27—to run it."

When the Allied Chemical award landed in the lap of organized philanthropy, McCarthy grabbed the opportunity to do the organizing. And when he had assembled a board of directors, he had them all meet with Eugene Struckhoff, then president of the Council on Foundations. Everybody associated with VEE, he notes, "was new to philanthropy, and we didn't want to do anything too stupid or against the law." Struckhoff, he says, provided a great deal of valuable advice.

Seventeen years later, in 1994, prompted by fears that the newly installed Gingrich Republicans would roll back environmental regulations, McCarthy brought in two very different kinds of advisors: New York City super-PR-man Howard Rubenstein and Dick Morris, soon to be famous and then infamous as a presidential consultant. McCarthy's purpose was to head off, or at least ameliorate, a rollback in Virginia by conducting a public opinion survey of citizens' attitudes toward their environment.

The two big-time operatives, McCarthy says, helped greatly to put together and execute the

influential poll and to advise VEE grantees on how to get the stories of their successes into the news media. Their successes were VEE's, too, of course, and even now, news accounts of a VEE grantee's project seldom fail to mention the motherhood and the amount of help it has provided.

Yet Struckhoff may well have had the greatest "outside" influence on VEE. "He told us," McCarthy recalls, "make our money work as hard you can and make it go as far as it can." That's a pretty fair country definition of exercising leverage, and McCarthy has hewed to it faithfully. His two favorite examples: the Elizabeth River cleanup, where VEE has parlayed a thousand bucks and change into a multimillion-dollar campaign, and protecting what's known as the Big Survey, a huge chunk of Virginia wilderness that was increasingly being targeted by loggers and vacation-home builders. "Our small grant," he notes, "led to a \$3-million purchase by the state's game and fisheries department."

Many of VEE's grantees find McCarthy's ability to maneuver politically as valuable as the funding he dispenses. "He's right in the middle of Virginia's environmental politics," says Patty

Jackson, "and he probably has the broadest sense of environmental needs as well as what might be done to meet them. That puts him in a unique position to advise groups like ours."

As a devoted manager/evaluator/politico, Gerry McCarthy is happy to lay down Gerry's Rules of Thumb for activist foundations and similar organizations. "Leverage your funds" is number one. Here are others:

- Don't give money to strangers. Always meet the grantseekers and ask them questions like, "If you get this grant, what's going to be different a year from now?"
- The money you give has to be matched.
- Even with a minimal staff, make sure you monitor performance carefully.
- Wherever possible, do first-dollar funding and participate in coalitions.
- Very important: In seeking the solutions you want, be truly middle of the road. "As we said in VEE's very first annual report," McCarthy says, "'We'll work with anybody, anywhere.'" ■

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*Roger M. Williams is a frequent contributor to FN&C.*

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